

**International Frontier  
Resources Corporation  
Interim Financial Statements**

Unaudited  
September 30, 2003

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## International Frontier Resources Corporation

### Interim Statements of Loss and Deficit

Unaudited

	Three Months ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
<b>Revenue</b>				
Interest	\$ <u>2,085</u>	\$ <u>2,489</u>	\$ <u>5,861</u>	\$ <u>9,838</u>
	<u>2,085</u>	<u>2,489</u>	<u>5,861</u>	<u>9,838</u>
<b>Expenses</b>				
Depreciation	611	1,024	1,755	3,072
General and administration	27,826	19,674	64,463	66,460
Interest and bank charges	1,182	57	9,578	349
Professional fees	<u>3,058</u>	<u>4,026</u>	<u>40,795</u>	<u>31,886</u>
	<u>32,677</u>	<u>24,781</u>	<u>116,591</u>	<u>101,767</u>
Loss before income taxes	(30,592)	(22,292)	(110,730)	(91,929)
Income taxes (recovery)	<u>(2,350)</u>	<u>3,966</u>	<u>(22,722)</u>	<u>(28,591)</u>
Net loss	<u>\$ (28,242)</u>	<u>\$ (26,258)</u>	<u>\$ (88,008)</u>	<u>\$ (63,338)</u>
<b>Loss per share</b>				
Basic	<u>\$ (0.003)</u>	<u>\$ (0.004)</u>	<u>\$ (0.009)</u>	<u>\$ (0.010)</u>
Diluted	<u>\$ (0.002)</u>	<u>\$ (0.004)</u>	<u>\$ (0.007)</u>	<u>\$ (0.010)</u>
<hr/>				
Deficit, beginning of period			\$ (276,342)	\$ (105,641)
Net loss			<u>(88,008)</u>	<u>(63,338)</u>
Deficit, end of period			<u>\$ (364,350)</u>	<u>\$ (168,979)</u>

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See accompanying notes to the interim financial statements.

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## International Frontier Resources Corporation

### Interim Balance Sheet

Unaudited

	<b>September 30, 2003</b>	December 31 2002
<b>Assets</b>		
Current		
Cash and temporary investments	\$ 258,373	\$ 50,411
Receivables	30,755	14,929
Prepays	<u>6,199</u>	<u>6,199</u>
	<b>295,327</b>	<b>71,539</b>
Restricted cash	292,426	292,426
Property and equipment	1,975,117	1,862,458
Investment	3,675	3,675
Deferred financing charge	<u>16,050</u>	<u>-</u>
	<b>\$ 2,582,595</b>	<b>\$ 2,230,098</b>
<b>Liabilities</b>		
Current		
Payables and accruals	\$ 131,068	\$ 133,867
Future income taxes	126,692	149,414
Convertible debentures	<u>364,823</u>	<u>364,823</u>
	<b>622,583</b>	<b>648,104</b>
<b>Shareholders' Equity</b>		
Share capital (Note 3)	2,289,185	1,823,159
Equity component of convertible debentures	35,177	35,177
Deficit	<u>(364,350)</u>	<u>(276,342)</u>
	<b>1,960,012</b>	<b>1,581,994</b>
	<b>\$ 2,582,595</b>	<b>\$ 2,230,098</b>

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On behalf of the Board

**(Signed) "Patrick Boswell"** \_\_\_\_\_ Director      **(Signed) "Thomas Berg"** \_\_\_\_\_ Director

See accompanying notes to the interim financial statements.

# International Frontier Resources Corporation

## Interim Statements of Cash Flows

	Three Months ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Increase (decrease) in cash and cash equivalents				
<b>Operating</b>				
Net loss	\$ (28,243)	\$ (26,258)	\$ (88,009)	\$ (63,340)
Depreciation	611	1,024	1,755	3,072
Income tax (recovery)	<u>(2,350)</u>	<u>(3,966)</u>	<u>(22,722)</u>	<u>(28,591)</u>
Cash flow from operating activities	(29,982)	(21,268)	(108,976)	(88,859)
Change in non-cash operating working capital	<u>(17,681)</u>	<u>1,719</u>	<u>(16,634)</u>	<u>10,585</u>
	<u>(47,663)</u>	<u>(19,549)</u>	<u>(125,610)</u>	<u>(77,947)</u>
<b>Investing</b>				
Additions to petroleum and natural gas properties	(74,965)	(35,068)	(130,464)	(491,813)
Disposition to petroleum and natural gas properties	-	-	-	56,144
Purchase of investments	-	-	-	-
Change in non-cash investing working capital	<u>-</u>	<u>21,928</u>	<u>(1,990)</u>	<u>(86,873)</u>
	<u>(74,965)</u>	<u>(13,140)</u>	<u>(132,454)</u>	<u>(522,542)</u>
<b>Financing</b>				
Private placement	220,141	-	466,026	-
Convertible debentures	-	-	-	(25,000)
Deferred financing charge	16,050	-	-	-
Repayment of convertible debenture	-	-	-	-
Change in non-cash financing working capital	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>236,191</u>	<u>-</u>	<u>466,026</u>	<u>(25,000)</u>
Net decrease in cash and cash equivalents	113,563	(32,689)	207,962	(625,816)
Cash and cash equivalents, Beginning of period	<u>437,236</u>	<u>407,065</u>	<u>342,837</u>	<u>1,000,192</u>
End of period	<u>\$ 550,799</u>	<u>\$ 374,376</u>	<u>\$ 550,799</u>	<u>\$ 374,376</u>
Cash and cash equivalents is represented by:				
Cash and temporary investments			\$ 258,373	\$ 119,037
Restricted cash			<u>292,426</u>	<u>255,339</u>
			<u>\$ 550,799</u>	<u>\$ 374,376</u>
Cash flow from operations per share				
Basic	<u>\$ (0.003)</u>	<u>\$ (0.003)</u>	<u>\$ (0.011)</u>	<u>\$ (0.014)</u>
Diluted	<u>\$ (0.003)</u>	<u>\$ (0.003)</u>	<u>\$ (0.009)</u>	<u>\$ (0.014)</u>

See accompanying notes to the interim financial statements.

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# International Frontier Resources Corporation

## Notes to the Interim Financial Statements

Unaudited  
September 30, 2003

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### 1. Basis of presentation

The financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada. Certain information and disclosure normally required to be included in notes to annual financial statements have been condensed or omitted. The interim financial statements should be read in conjunction with the audited financial statements and the notes thereto in the Company's annual report for the year ended December 31, 2002. The interim financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements for the year ended December 31, 2002, except as discussed below.

### 2. Initial adoption of accounting policy

#### Deferred financing charges

The deferred charges incurred during the period related to costs associated with future financing efforts. If a financing activity is successful these costs will be allocated to the cost of the offering. If a financing activity is not successful these costs will be expensed.

### 3. Share capital

#### a) Authorized

Unlimited common shares  
Unlimited preferred shares

#### b) Issued

	<u>September 30, 2003</u>		<u>December 31, 2002</u>	
	<u>Number of</u>		<u>Number of</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
Common shares				
Beginning and end of period	8,526,002	\$ 2,052,994	6,526,002	\$ 1,823,159
Issued in the period	<u>1,420,000</u>	<u>\$ 236,191</u>	-	-
End of period	<u>9,946,002</u>	<u>\$ 2,289,185</u>	<u>6,526,002</u>	<u>\$ 1,823,159</u>

During the period the Company issued 1,420,000 units at a price of \$0.18 per unit. Each unit consists of one common share and one non-transferable warrant. One warrant entitles the holder to acquire one common share for a period of 180 days at a price of \$0.24 per share. The shares issued under the private placement are restricted from trading until January 9<sup>th</sup>, 2004

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## International Frontier Resources Corporation

### Notes to the Interim Financial Statements

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#### 3. Share capital (Continued)

##### c) Stock options

The Company has a stock option plan available to officers, directors, employees of the Company, and to key consultants. On March 14, 2003, 851,998 options previously granted with exercise prices ranging between \$0.25 and \$0.49 were cancelled. On April 10, 2003 approval was granted by the TSX Venture Exchange for the issuance of 850,000 stock options. As at September 30, 2003 850,000 options with an exercise price of \$0.25 were outstanding and exercisable up to March 14, 2008.

##### Outstanding and exercisable

	<u>September 30, 2003</u>		<u>December 31, 2002</u>	
	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>
Beginning of period	850,000	\$ 0.25	651,998	\$ 0.49
Granted	-	\$ -	-	\$ -
Cancelled	-	\$ -	-	\$ -
End of period	<u>850,000</u>	<u>\$ 0.25</u>	<u>651,998</u>	<u>\$ 0.49</u>

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# International Frontier Resources Corporation

## Notes to the Interim Financial Statements

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### c) Stock options - continued

CICA Handbook Section 3870 "Stock-based Compensation", establishes financial accounting and reporting standards for stock-based employee compensation plans as well as transactions in which an entity issues its equity instruments to acquire goods or services from non-employees. The Company has elected to follow the intrinsic value method of accounting for stock-based compensation arrangements. Since all options were granted with an exercise price equal to the market price at the date of the grant, no compensation cost has been charged to earnings at the time of the option grants. Had compensation cost for the Company's stock options been determined based on the fair market value at the grant dates of the awards consistent with methodology prescribed by Handbook Section 3870, the Company's net earnings and net earnings per share for the period ended September 30, 2003 and September 30, 2002 would have been the pro forma amounts indicated below:

	September 30, 2003	September 30, 2002
Net loss		
As reported	\$(88,009)	\$(63,340)
Pro forma	\$(266,509)	\$(63,340)
Net loss per common share – basic:		
As reported	\$(0.009)	\$(0.010)
Pro forma	\$(0.027)	\$(0.010)
Net loss per common share – diluted:		
As reported	\$(0.007)	\$(0.010)
Pro forma	\$(0.022)	\$(0.010)

The weighted average fair market value of options granted in the period ended September 30, 2003 are \$0.21 (2002-Nil). The fair value of each option granted was estimated on the date of grant using the Modified Black-Sholes option pricing model with the following assumptions

	2003	2002
Risk-free interest rate	4.37%	Nil
Estimated hold period prior to exercise (years)	5	Nil
Volatility in price of the Company's shares	126.0%	Nil

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# International Frontier Resources Corporation

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### d) Warrants

As of June 11, 2003 the Company acquired 100% of Sidox Chemicals Canada Ltd. shares from Devon Investments Ltd. The consideration paid for the purchase of all of the issued and outstanding shares of Sidox Canada is the issuance of 2,000,000 non transferable warrants, the warrants entitle Devon to acquire 2,000,000 shares of International Frontier at \$0.25 for two years and \$0.35 in the third year from the date of closing. The warrants can only be exercised if Sidox Canada acquires a ten year Exclusive License for SIDOX and if wells in which the Company holds an interest that have been treated with SIDOX achieve a minimum 25% BOPD increase for a period of 100 days. The purchase of Sidox Canada is a non arm's length transaction as defined by TSXV Exchange policy 1.1 as the shares of Devon are controlled by Pat Boswell, President of the Company.

### 4. Per share amounts

The weighted average number of common shares outstanding during the period, calculated under the treasury stock method, used in computing basic loss per share was 9,946,002 (2002 – 6,526,002). In computing diluted loss per share, 1,911,764 shares were added to the weighted average number of common shares outstanding during the period September 30, 2003 (2002 – Nil shares) for the dilutive effect of employee stock options, warrants and convertible debentures. No adjustments were required to the reported loss in computing diluted per share amounts.

### 5. Supplemental cash flow information

Cash and cash equivalents is represented by:

	September 30, <u>2003</u>	December 31 <u>2002</u>
Cash and temporary investments	\$ 258,373	\$ 50,411
Restricted cash	<u>292,426</u>	<u>292,837</u>
	<u>\$ 550,799</u>	<u>\$ 342,837</u>
Interest paid	\$ 8,000	\$ -

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# International Frontier Resources Corporation

## Notes to the Interim Financial Statements

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### 6. Subsequent events

- a) On October 17, 2003 the Company negotiated a non brokered private placement of 2,000,000 units at a price of \$0.30 per unit. A unit consists of one common share and one warrant, one warrant entitles the holder to purchase one common share at a price of \$0.35 per share for a period of one year from closing. On November 18, 2003 TSX Venture Exchange approval was granted for this private placement. The shares issued are restricted from trading until March 18, 2004.
- b) On November 4, 2003 1,000,000 warrants were exercised. One warrant entitled the holder to acquire one common share @ \$0.18 per share.